

Message Text

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PAGE 01 GENEVA 03309 01 OF 02 021725Z
ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AGRE-00 OIC-02 AF-10 ARA-10
EA-10 EUR-12 NEA-10 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 USIE-00 INRE-00 CEA-01 COME-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 PA-01
CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00 SP-02
SOE-02 OMB-01 DOE-11 /148 W
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O 021655Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 6684
INFO ALL WHEAT NEGOTIATIONS POSTS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 03309

FOR EB/OF; PASS ELECTRONICALLY AGRICULTURE FOR HATHAWAY
AND NOVOTNY FROM SAYLOR

E.O. 11652: N/A
TAGS: ETRD EAGR OCON
SUBJECT: WHEAT CONFERENCE - SUBSTANTIVE DISCUSSIONS
PROCEED SLOWLY

1. FOLLOWING "FIRST READING" OF DRAFT TEXTS OF WHEAT AND
COARSE GRAINS IN RESPECTIVE ECONOMIC COMMITTEES, CON-
FERENCE MEMBERS AGREED TO ESTABLISH SUB-COMMITTEES FOR
WHEAT AND COARSE GRAINS TO "ELABORATE AN OUTLINE OF A
GENERAL SCHEME FOR AN AGREEMENT(S)." THESE SUB-COMMITTEES
WERE EMPOWERED TO ESTABLISH TECHNICAL SUBGROUPS OR GROUPS
OF EXPERTS TO CONSIDER TECHNICAL ISSUES "SUFFICIENTLY
DEVELOPED FOR DISCUSSION." IT WAS UNDERSTOOD THAT WORK
IN BOTH COMMITTEES WAS TO PROCEED AT TWO LEVELS, POLICY
AND TECHNICAL. WHEAT SUB-COMMITTEE COMPOSED OF 6 IMPORTERS
(BRAZIL, EEC, EGYPT, INDIA, JAPAN AND PORTUGAL) AND
6 EXPORTERS (ARGENTINA, AUSTRALIA, CANADA, SWEDEN, USA
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PAGE 02 GENEVA 03309 01 OF 02 021725Z

AND USSR). COARSE GRAIN SUB-COMMITTEE COMPOSITION ALSO
INCLUDED 12 MEMBERS SPLIT BETWEEN 5 EXPORTERS (ARGENTINA,
BRAZIL, CANADA, SOUTH AFRICA AND USA) AND 7 IMPORTERS
(EEC, EGYPT, FINLAND, INDIA, JAPAN, SPAIN AND SWITZERLAND).
BRAZIL SUBSEQUENTLY DECLINED TO PARTICIPATE IN COARSE
GRAINS. OTHER DELEGATIONS WERE WELCOMED TO ATTEND AND
EXPRESS VIEWS.

2. FIRST MEETING OF WHEAT SUBCOMMITTEE ON TUESDAY, FEBRUARY 28 INSTALLED VAZNAUGH (US) IN THE CHAIR AND QUICKLY BOGGED DOWN OVER QUESTION OF HOW TO PROCEED. EC WAS INSISTENT THAT SUBSTANTIAL TIME BE DEVOTED TO DISCUSSING "FUNDAMENTAL PROVISIONS" OF OVERALL SCHEME FOR AGREEMENT, I.E., MIN/MAX PRICES AND RELATED RIGHTS AND OBLIGATIONS AS OUTLINED IN ARTICLE 3, VERSION B. MAJOR EXPORTERS READILY AGREED THAT A GENERAL PROVISIONS ARTICLE WOULD BE USEFUL AND NECESSARY BUT THAT SUCH AN ARTICLE COULD NOT BE DEVELOPED UNTIL AGREEMENT WAS REACHED ON KEY ISSUE OF ACTIONS AT THE EXTREMES OF PRICE BAND. IN ORDER TO ADVANCE WORK OF COMMITTEE, U.S. AND OTHER EXPORTERS ARGUED THAT TECHNICAL CONSIDERATION OF KEY ELEMENTS SUCH AS STOCKING PROVISIONS AND BASKET INDICATOR SHOULD BEGIN IMMEDIATELY AND CONTINUE CONCURRENTLY WITH ONGOING POLITICAL DEBATE OVER FUNDAMENTAL DIFFERENCES IN APPROACH. EVERY EFFORT HOWEVER TO OPEN DISCUSSION ON MECHANICAL ASPECTS OF AGREEMENT WAS THWARTED BY EC INTERVENTIONS INSISTING THAT COMMITTEE FOCUS ATTENTION ON "PRINCIPLES" VERSUS "MEANS" OR "MECHANICS." USSR (POLEZHAEV) SUPPORTED EC TACTIC AND WARNED THAT DELAY OR RESOLUTION OF FUNDAMENTAL ISSUES COULD CREATE SERIOUS PROBLEMS FOR CONFERENCE. DEBATE ON APPROACH CONTINUED DURING WEDNESDAY, MARCH 1 MEETING WITH EC REITERATION FOR NEED TO ESTABLISH GENERAL SCHEME LIMITED OFFICIAL USE

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PAGE 03 GENEVA 03309 01 OF 02 021725Z

AND TO IDENTIFY DEGREE OF DIVERGENCE AMONG DELEGATIONS OVER FUNDAMENTAL PROVISIONS, I.E., TO OUTLINE FOR DELEGATES PRESENT THE SCOPE OF THE TWO BASIC PROPOSALS. WITHIN CONTEXT OF GENERAL PROVISIONS DISCUSSION, EC/EXPORTERS DIALOGUE DEVELOPED OVER ABILITY OF RESPECTIVE APPROACHES TO PROVIDE FOOD SECURITY IN SHORTFALL SITUATIONS. MOST OF MEETING WAS DIRECTED TO ALTERNATIVE ATTEMPTS BY EXPORTERS AND EC TO DISCREDIT ADEQUACY OF MIN/MAX PRICES ON ONE HAND AND RESERVE STOCKS ON OTHER AS PRIMARY EFFECTIVE MEANS OF STABILIZATION AND FOOD SECURITY. US (SAYLOR) REPEATED PROPOSAL AND JUSTIFICATION FOR 30 MILLION TON INTERNATIONALLY COORDINATED RESERVES SYSTEM PRESENTING IN DEPTH EXPLANATION AS TO ADEQUACY OF LEVEL AS WELL AS COSTS AND BENEFITS WITH HOPE OF INSTIGATING MORE TECHNICAL DISCUSSIONS. CANADA COUNTER PROPOSED A 25 MILLION TON LEVEL. UNDER QUESTIONING ON NATURE OF EC SAFEGUARD CONCEPT, PIZUTTI SAID THAT MAXIMUM WOULD INSURE IMPORTERS OF SPECIFIED QUANTITY AT SPECIFIED PRICES BUT WOULD NOT ATTEMPT TO HOLD ALL TRADE WITHIN FIXED PRICE RANGE. EC (PIZUTTI) SUGGESTED THAT ADDITIONAL TIME WAS NEEDED TO REFLECT ON FUNDAMENTAL ISSUES AND MOVED THAT NO DECISION BE MADE AS TO DATE OF

NEXT MEETING. THIS DELAYING TACTIC OBVIOUSLY LINKED DIRECTLY TO OUTCOME OF EARLIER COARSE GRAIN SUB-COMMITTEE MEETING REPORTED BELOW. MEETING CONCLUDED WITHOUT DECISION ON FUTURE PLAN OF WORK RE ESTABLISHMENT OF TECHNICAL SUBGROUPS.

3. INITIAL COARSE GRAIN SUB-COMMITTEE (TUESDAY PM FEB 28) OPENED BY ANNOUNCEMENT THAT BRAZIL WOULD NOT ACTIVELY PARTICIPATE IN DISCUSSIONS BUT ATTEND ONLY IN OBSERVER STATUS. EARLIER, AUSTRALIA HAD ANNOUNCED SAME POSITION. US (PENCE) TOOK ISSUE WITH COMMITTEE TERMS OF REFERENCE (SEE PARA ONE ABOVE) STATING CLEARLY THAT U.S. HAD NOT AGREED TO DESIRABILITY NOR FEASIBILITY OF POSSIBLE SCHEME ON COARSE GRAINS. THE U.S. HOWEVER, WAS WILLING TO LIMITED OFFICIAL USE

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PAGE 04 GENEVA 03309 01 OF 02 021725Z

DISCUSS ANY ISSUES BROUGHT BEFORE THE GROUP.EC (PIZUTTI)

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PAGE 01 GENEVA 03309 02 OF 02 021724Z

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INFO ALL WHEAT NEGOTIATIONS POSTS

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 03309

REACTION WAS TO REQUEST THAT ECONOMIC COMMITTEE FOR COARSE GRAIN CHAIRMAN (LARSSON) SERVE AS TEMPORARY CHAIRMAN OF SUB-COMMITTEE UNTIL THE VIEWS AND INTENTIONS OF KEY DELEGATIONS BECOME CLEARER. WITH EXCEPTION OF

BRIEF INTERVENTION BY ARGENTINA AND INDIA MEETING CHARACTERIZED BY STONEY SILENCE BROKEN ONLY BY CHAIRMAN'S PLEA FOR DELEGATION COMMENTS. FOLLOWING LONG PERIODS OF SILENCE, CHAIRMAN QUESTIONED USEFULNESS OF CONTINUATION OR OF RECONVENING ON WEDNESDAY. EC (JACQUOT) WARNED DELEGATIONS PRESENT THAT "PARALLELISM" BETWEEN WHEAT AND COARSE GRAINS WAS A SERIOUS CONCERN TO THE EC AND THAT THE EXECUTIVE COMMITTEE MUST BE CONVENED TO CONSIDER THE STATE OF AFFAIRS.

4. THE CONFERENCE CHAIRMAN HAS SCHEDULED A MEETING OF SELECTED DELEGATIONS (CONTACT GROUP) FOR THURSDAY AM MARCH 2 TO ASSESS PROSPECTS FOR FUTURE ACTION.

5. COMMENT: WHILE THE EC HAS DELAYED AND TO SOME EXTENT CONFUSED DISCUSSION, SOME OBSERVERS FEEL THAT U.S. LIMITED OFFICIAL USE

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PAGE 02 GENEVA 03309 02 OF 02 021724Z

STATEMENTS ON MECHANICS HAVE OFFERED A SENSE OF PROGRESS IN THE DELIBERATIONS. SORENSON

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